



Alaska Supplemental Annuity Plan Investment Options

Historical Average Annual Total Rates of Return For the Quarter Ending 12/31/00

Investment Option	Annual Investment Management & Custody Fees	Quarter from 9/30/00 to 12/31/00	One Year Actual as of 12/31/00	Three Year Actual as of 12/31/00	Five Year Actual as of 12/31/00	Ten Year Actual as of 12/31/00
Citizens Core Growth Fund	0.74%	-15.51%	-20.19%	13.78%	n/a	n/a
S&P 500 Index	n/a	-7.82	-9.10	12.26	18.33%	17.46%
S&P 500 Stock Index Fund ⁽¹⁾	0.04-0.12% ⁽⁵⁾	-7.78	-9.06	12.26	18.35	17.48
S&P 500 Index	n/a	-7.82	-9.10	12.26	18.33	17.46
Global Balanced Fund	0.67%	-3.17	-1.93	11.19	12.78	n/a
Combined GBF Benchmark ⁽²⁾	n/a	-2.15	-1.61	9.09	11.21	n/a
Tactical Asset Allocation Fund	0.25-0.5%	-2.96	1.72	12.40	14.45	14.53
Combined TAAF Benchmark ⁽³⁾	n/a	-1.78	2.45	10.92	14.23	14.73
Alaska Balanced Fund	0.136-0.18% ⁽⁵⁾	0.21	3.92	8.39	10.35	10.57 ^(5a)
Custom Alaska Balanced Fund Benchmark ⁽⁴⁾	n/a	0.10	4.47	8.63	10.48	10.64
Daily Gov't/Corp. Bond Fund ⁽¹⁾	0.25-0.35% ⁽⁵⁾	4.68	11.13	5.97	6.13	8.03
Lehman Bros. Gov't/Credit Index	n/a	4.37	11.85	6.21	6.24	8.00
Short-Term Investment Fund	0.18-0.21%	1.69	6.63	5.90	5.82	5.33
90-Day Treasury Bills	n/a	1.62	6.36	5.51	5.41	4.96

REPRESENTATIVE Average Annual Rates of Return Ending 12/31/00⁽⁶⁾

*When Model results are indicated, they do **not** depict actual investment returns,
and assume each fund has existed 10 years.*

Investment Option	Annual Investment Management & Custody Fees	Quarter Actual as of 12/31/00	One Year Actual as of 12/31/00	Three Year Actual as of 12/31/00	Five Year Model as of 12/31/00	Ten Year Model as of 12/31/00
Alaska Target 2020 Fund	0.20-0.30% ⁽⁵⁾	-2.40% ^(5b)	n/a	n/a	15.57%	15.53%
Alaska Target 2015 Fund	0.20-0.30 ⁽⁵⁾	-5.09	-6.00	11.09	15.57	15.53
Alaska Target 2010 Fund	0.20-0.24 ⁽⁵⁾	-3.26	-1.77	11.01	15.42	15.45
Alaska Target 2005 Fund	0.20-0.24 ⁽⁵⁾	0.26	4.35	8.92	12.81	13.66
Alaska Target 2000 Fund	0.20-0.24 ⁽⁵⁾	1.39 ^(5c)	6.15 ^(5c)	6.57 ^(5c)	8.45	10.21

The results shown are not a guarantee of future returns.

Return information does **not** include the deduction of any custody and administration/recordkeeping fees.

The annual administration and recordkeeping fee will be determined by the State periodically. These fees, effective 1/1/99, are 0.11% of assets (annual rate) for all participants, plus \$35 per year for actively contributing participants or plus \$25 per year for non-contributing members.

The performance data quoted represents past performance and is not an indication of future investment results. The investment return and principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than their original cost.

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Investment Option Asset Type Allocations *as of 12/31/00*

Investment Option	Invested Cash & Cash Equivalents	Bonds	Equities		
			Small Cap ⁽⁷⁾	Large Cap	International ⁽⁸⁾
Citizens Core Growth Fund	0.00%	0.00%	0.00%	100.00%	0.00%
S&P 500 Stock Index Fund	0.00	0.00	0.00	100.00	0.00
Global Balanced Fund	6.90	33.10	8.80	34.70	16.50
Tactical Asset Allocation Fund	5.00	20.00	0.00	75.00	0.00
Alaska Balanced Fund	0.68	63.82	3.67	27.90	3.93
Daily Gov't/Corp. Bond Fund	0.00	100.00	0.00	0.00	0.00
Short-Term Investment Fund	100.00	0.00	0.00	0.00	0.00
Alaska Target 2020 Fund	4.99	2.91	10.55	71.39	10.16
Alaska Target 2015 Fund	0.00	9.67	10.37	67.98	11.98
Alaska Target 2010 Fund	14.35	23.36	5.50	56.29	0.50
Alaska Target 2005 Fund	24.68	48.17	0.26	26.89	0.00
Alaska Target 2000 Fund	0.00	0.00	0.00	0.00	0.00

**The following definitions will help you understand the difference
between the various investment options offered by your Plan:**

Cash	Instruments or investments of such high liquidity and safety that they are virtually as good as cash (e.g., money market type instruments, treasury bills, commercial paper, etc.). Also referred to as cash equivalents. Such investments typically are short-term, with maturities of one year or less.
Bond	An interest-bearing certificate of indebtedness (a loan) from a corporation or government body. The issuer agrees to repay a sum by a certain date with a specified rate of interest.
Equity	<p>Ownership of corporate stock. The following are types of equities:</p> <p>International stock – Securities of foreign corporations. The Morgan Stanley Capital International EAFE-Free Index, a subset of the EAFE (Europe, Australasia, Far East) Index, includes securities of countries that have no international investment restrictions. It is an arithmetic, market value-weighted average of the performance of more than 1,000 such securities listed on the stock exchanges of countries in Europe, Australia, Asia, and the Far East. Foreign investments involve special risks, including currency fluctuations and political developments.</p> <p>Small-cap stock or small-company stock – Companies that issue stocks classified by investors as “small-company stocks” are generally recently established corporations. They may be involved in new or niche products or technologies with a great potential for growth. However, this innovative nature also means greater volatility and risk of price fluctuation.</p> <p>Large-cap stock or large-company stock – Investors consider “large-company stocks” to be those issued by the United States’ largest, most well-established businesses. These stocks are sometimes referred to as “blue chip” stocks – or stocks of companies with long track records of profit growth and dividend payment and a reputation for quality management, products and services. The S&P 500 Index, the world’s most widely followed stock index, is comprised of 500 such large-cap stocks.</p>

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Investment Options at a Glance *for the quarter ending 12/31/00*

Generally, the greater an investment's potential reward over time, the greater its level of short-term price volatility or risk. When assessing risk, a bank money market or certificate of deposit (CD) would typically appear on the very low end of the risk/reward spectrum. A very aggressive growth fund might be depicted at the very high end of the spectrum. The chart below shows the relative position of each investment option on the risk/reward spectrum. The risk chart is for illustration purposes only and is not intended to depict any current actual investment performance of the variable funds.

Investment Option <i>(managed by)</i>	Objective	Investment Make-Up <i>Management Style</i>
Citizens Core Growth Fund <i>(Citizens Advisers)</i>	To achieve strong financial results and long-term capital appreciation while investing in companies that are managed in a socially responsible manner.	The fund invests in the companies that make up the Citizens Index, a proprietary index designed to serve as a benchmark for socially responsible investing. The Citizens Index™ consists of approximately 300 primarily large-cap companies, of which 200 are part of the S&P 500. The remaining 100 are added for industry and sector diversification. <i>Passively managed</i> ⁽⁹⁾
S&P 500 Stock Index Fund <i>(State Street Global Advisors)</i>	To provide income and capital appreciation matching the total return of the Standard & Poor's 500 Composite Stock Price Index.	All 500 of the equity securities in the S&P 500 Index, in proportion to the size of each as measured by its total market value <i>Passively managed</i> ⁽⁹⁾
Global Balanced Fund <i>(Capital Guardian Trust Company)</i>	Seeks the balanced accomplishment of long-term growth of capital, current income and conservation of principal through investments in stocks and fixed-income securities.	Stocks of large and small companies and corporate & government bonds based around the world <i>Actively managed</i> ⁽¹⁰⁾
Tactical Asset Allocation Fund <i>(Barclays Global Advisors, NA)</i>	To achieve high total returns (capital appreciation plus income) over the long term without taking excessive risk.	The fund shifts assets among stocks, bonds and cash. The fund invests in other funds designed to track the S&P 500 Composite Stock Price Index and the Lehman Brothers 20+ Year Treasury Bond Index and in short-term high-quality money market instruments. <i>Actively managed</i> ⁽¹⁰⁾
Alaska Balanced Fund <i>(T. Rowe Price Associates, Inc.)</i>	To provide a balanced and diversified mix of stocks, bonds, federally guaranteed mortgages, and money market instruments for investors with a low to average risk tolerance.	Stocks of large & small U.S. & established international companies, investment-grade U.S. bonds, federally guaranteed mortgages, and money market instruments <i>Actively managed</i> ⁽¹⁰⁾
Daily Gov't/Corp. Bond Fund <i>(State Street Global Advisors)</i>	To match or exceed the return of the Lehman Brothers Government/ Corporate Bond Index.	Investment-grade fixed income securities represented in the Lehman Brothers Government/Credit Index <i>Actively managed</i> ⁽¹⁰⁾
Short-Term Investment Fund <i>(State Street Global Advisors)</i>	The yield of the Fund reflects short-term interest rates and it attempts to maintain a constant unit value.	Commercial paper, bank time deposits and other high-quality, short-term money market instruments rated at least A-1 by S&P's and P-1 by Moody's <i>Actively managed</i> ⁽¹⁰⁾
Alaska Target 2020 Fund* <i>(T. Rowe Price Associates, Inc.)</i>	To provide a diversified mix of stocks, bonds and cash for long-term investors with a higher tolerance for risk. This Fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2020 approaches.	Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. <i>Actively managed</i> ⁽¹⁰⁾
Alaska Target 2015 Fund* <i>(T. Rowe Price Associates, Inc.)</i>	To provide a diversified mix of stocks, bonds and cash for long-term investors with a higher tolerance for risk. This Fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2015 approaches.	Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. <i>Actively managed</i> ⁽¹⁰⁾
Alaska Target 2010 Fund* <i>(T. Rowe Price Associates, Inc.)</i>	To provide a diversified mix of stocks, bonds and cash for long-term investors with a moderate to high tolerance for risk. This Fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2010 approaches.	Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. <i>Actively managed</i> ⁽¹⁰⁾
Alaska Target 2005 Fund* <i>(T. Rowe Price Associates, Inc.)</i>	To provide a diversified mix of stocks, bonds and cash for investors with a low to moderate tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2005 approaches.	Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. <i>Actively managed</i> ⁽¹⁰⁾

***The volatility of each Target Fund changes over time. As it approaches maturity, each becomes relatively lower in risk.**

Citizens Advisers, Inc. is a registered investment adviser under the Investment Advisers Act of 1940.

T. Rowe Price is registered as an investment adviser under the Investment Advisers Act of 1940.

State Street Bank and Trust Company manages collective investment funds held in trust for the benefit of pension and profit sharing plans. State Street Bank and Trust Company is a bank as defined by the Investment Advisers Act of 1940 and is therefore exempt from registration under the Act.

Barclays Global Investors, N.A. is both the trustee and the investment advisor to the Funds. Barclays manages funds for investors around the world.

Capital Guardian Trust Company is a California state chartered bank authorized by the California Department of Financial Institutions to carry on a trust business.

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Please read this important information

KeyTalk® Contacts

If you are calling from a **touch-tone phone**, you have round-the-clock **automated access** to information and transactions **with your PIN** (or a client service representative between 6:00am and 5:30pm, Alaska time, Monday through Friday) by using the original KeyTalk® number:

1-800-701-8255

If you wish to speak to a client service representative between 3:00pm and 5:30pm, Alaska time, Monday through Friday, **and** you are calling from a touch-tone phone **without** a PIN **or** you are calling from a **rotary phone**, please use the following number:

1-800-232-0859

Important Note

If you call KeyTalk® to make changes to your account, **please** stay on the line until you hear your confirmation number. Write this number down and keep it on file for future reference. **If you hang up before you hear your confirmation number**, your transaction request **may or may not** (due to phone transmissions or computer delays) have been recorded for processing. Also, you will receive a written confirmation of your transaction in the mail. It is **important** for you to review this document for accuracy **as soon as you receive it**.

There are two major types of changes you can make to your account:

- 1) transferring your existing assets among funds and
- 2) changing how your **future** contributions are allocated.

Please make sure you have selected the transaction that accomplishes the changes you would like to make.

Internet Access

You now have access through the Internet to receive information about your account and to conduct investment option related action. **You must have a PIN number to access the information.**

- 1) Please go to the Division of Retirement & Benefits Web site, **www.state.ak.us/dr**
- 2) Select “SBS Annuity” on the left hand side of the page
- 3) At the SBS Annuity Plan home page, select “Account Information Online”

Transfers

If you place a transfer on a business day **before 12:00 noon Alaska Time**, you will receive that day’s closing “sell” price per unit (Transfer-out \$’s) and that day’s closing “purchase” price per unit (Transfer-in \$’s). This applies whether you place the transfer through KeyTalk®, a Client Service Representative, or the Division of Retirement and Benefits’ Web site.

Your transfer must be completed before 12:00 noon Alaska time.

The transfer confirmation must take place before 12:00 noon. Transfers that are started before noon Alaska time, but are **not completed** before noon Alaska time, will be processed the **next** business day.

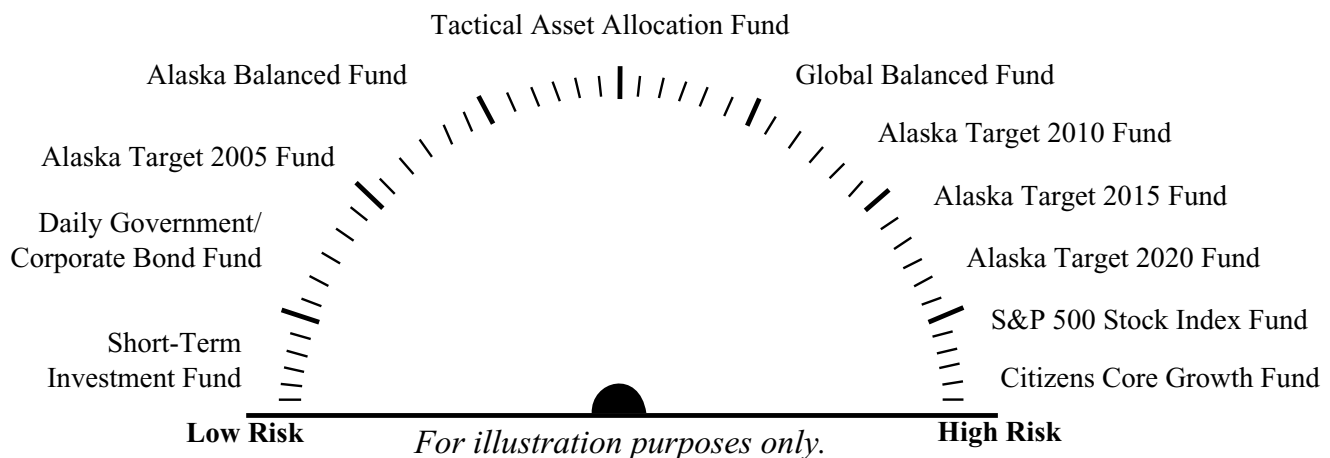
It can take up to five minutes, or more, to complete a transfer. Please do not try to time your transfer just before the deadline hoping that it will finish in a minute or two. **Phone delays, internet delays, and heavy volume can interfere with completing a transfer. Please take possible delays into account.**

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Potential Risk versus Potential Return

Generally, the greater an investment's potential return over time, the greater its level of short-term price volatility, or risk. When assessing risk, a short-term investment fund would typically appear on the very low end of the risk/return scale. A very aggressive growth fund might be depicted at the very high end of the scale. The chart below shows the relative position of each investment option on the risk/return scale.

As a whole, the options available to you fall on the Risk Spectrum - low risk to high risk - as follows:



Administrative Expenses

Expenses are charged to your account in order to cover the cost of administration of the plan. There are two types of fees:

Monthly — 0.11% annual rate on assets (0.0011 / 12 x month-end asset balance) — These charges will be assessed to your individual accounts against all investment options in both the employee and employer accounts. The fee is calculated on the prior month's ending balance and is assessed in the first week of the month. For example:

- The fees calculated on your March 31st account balance will be assessed in April.
- The fees calculated on your April 30th account balance will be assessed in May.
- The fees calculated on your May 31st account balance will be assessed in June.

The March, April and May fees will be reflected on your June 30th statement.

Annual – \$35 – for actively contributing participants, \$25 – for non-contributing members. These charges will be assessed after the first payroll contribution has been processed each new year. The charges are applied proportionally against all investment options in both the employee and employer accounts. For State of Alaska employees, this will occur in January. For political subdivision employees this will occur in February.

Fund Information

For more detailed information related to specific funds, please refer to a current fund data sheet. Fund data sheets can be obtained through the Division of Retirement & Benefits, **1-907-465-4460**; a client service representative; or on the Divisions' Web site, at www.state.ak.us/drb.

Footnotes & Endnotes

- (1) The S&P 500 Stock Index Fund and the Daily Gov't./Corp. Bond Fund are separate accounts created to mirror the performance of their respective commingled funds. *As the separate accounts currently have only a short performance history, the performance history shown reflects the historical returns of their underlying commingled funds.*
- (2) The benchmark used for comparison with the Global Balanced Fund is a combination of 35% S&P 500, 10% Russell 2000, 15% EAFE Net Dividends to U.S. Investors, 35% Salomon Broad Investment-Grade Bond Index and 5% Salomon Bros. Non-U.S. & World Government Bond Index.
- (3) The benchmark used for comparison with the Tactical Asset Allocation fund is a combination of 60% S&P 500 index and 40% Lehman Bros. 20+ Treasury Bond Index.
- (4) Returns of the Alaska Balanced Fund cannot be directly compared to any one index. To the custom balanced benchmark returns previously calculated by State Street Bank, we have linked a custom return now calculated by T. Rowe Price Associates. The benchmark return consists of each underlying fund's benchmark, weighted according to the "strategic" weight as set forth in the current guidelines for the Balanced Fund: 44% Lehman Bros. Govt./Credit Index, 19% Lehman Bros. GNMA Index, 2% 90-day Treasury bills, 30% S&P 500 Index, 3% Russell 2500 Index, and 2% MSCI EAFE Index.
- (5) The investment management fees for the S&P 500 Stock Index Fund, the Alaska Balanced Fund, the Target Funds and the Daily Gov't./Corp. Bond Fund vary based on total assets of all participants in each fund. These fees include custodial expenses of approximately .05%.
- (5a) This figure represents the return for the Alaska Balanced Fund since its inception of 3/31/92.
- (5b) The Alaska Target 2020 Fund became available on November 1, 2000. This figure represents the return since November 1, 2000.
- (5c) The Alaska Target 2000 Fund closed on December 18, 2000. These figures represent the quarter, one year and three year actual returns through December 18, 2000.
- (6) **The representative rates of return for the Alaska Target Funds have been computed using the historical returns of certain benchmarks as proxies for the asset classes represented in each fund.** The specific benchmarks include: Standard & Poor's 500 Index and Russell 2500 Index, MSCI Europe Australasia Far East (EAFE) Index, Lehman Brothers Government/Credit Index, Lehman Brothers Mortgage Index and 90-day Treasury bills. The figures represent the effects of changing on an annual basis the asset mix in each fund to approach a pre-determined allocation at each target date. The overall asset mix becomes more conservative (i.e., more heavily weighted with fixed income and money market securities) as the target date approaches.

The MODEL rates of return do NOT depict actual investment returns, and they assume that each model fund has been in existence 10 years. Rather, these are model results which have inherent limitations. The figures do not reflect the deduction of management fees or any other expenses of the funds. Also, these results do not represent actual trading, and may not reflect the impact that material economic and market factors might have on an actual fund managed in accordance with its investment objectives. FOR EXAMPLE: The performance returns of the Alaska Target 2015 Fund reflect the assumption that the model fund was incepted 10 years ago, and in 1996 will have a life of 20 or more years. The performance returns reflect the benchmark allocations for the last 10 years of performance data.
- (7) Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
- (8) Foreign investments involve special risks, including currency fluctuations, economic and political instability and differences in accounting standards.
- (9) To be passively invested means to buy and hold a well-diversified portfolio of securities. Passive managers buy a portfolio of securities that make up a market index while active managers select specific securities to attempt to outperform an index.
- (10) An actively managed fund is one in which the fund manager buys, holds and sells a portfolio of stocks and/or bonds which are consistent with the fund's stated investment objective. Using a variety of methods, the active fund manager attempts to select securities that will outperform the market.

**Registration with the Securities and Exchange Commission is not required for the
State of Alaska Supplemental Annuity Plan.**